

THE HONORABLE JAMES L. ROBERT

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICROSOFT CORPORATION,
Plaintiff,

vs.

MOTOROLA, INC., et al.,
Defendants.

MOTOROLA MOBILITY, INC., et al.,
Plaintiffs,

vs.

MICROSOFT CORPORATION,
Defendants.

Case No. C10-1823-JLR

**MICROSOFT'S REPLY RE ITS
MOTION TO AMEND PROTECTIVE
ORDER**

NOTED: Thursday, September 13, 2012

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AMEND PROTECTIVE ORDER**

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1 The RAND trial in this case is set to begin on November 13. Motorola will attempt to
 2 convince the Court that a reasonable and non-discriminatory royalty rate for a license to its
 3 H.264 and 802.11 standard essential patents is 2.25% of the end product price of certain
 4 Microsoft and third-party products. Microsoft will show that the appropriate royalty rate is
 5 more in line with the well-established patent pool rates for H.264 and 802.11 patents, which
 6 amounts to but a very small fraction of Motorola's demands.

7 Motorola is expected to rely heavily on certain of its licensing agreements with third
 8 parties and expert opinions regarding those agreements.¹ In discovery, Motorola designated
 9 this information as for "Outside Attorneys' Eyes Only" under Paragraph 6 of the Protective
 10 Order.² Thus, at trial, Culbert will be presented with Motorola's licensing agreements and
 11 expert analysis for the first time. *See* Protective Order, ¶ 7 (designated in-house counsel "shall
 12 not be excluded" from any in-Court proceedings at which confidential information is revealed).

13 Microsoft's Motion essentially asks that Culbert's access to Motorola's evidence under
 14 Paragraph 7 be accelerated so that – in the weeks remaining before trial – he can appropriately
 15 fulfill his Rule 11 responsibilities, more thoroughly weigh the strength of Motorola's position
 16 for settlement purposes, assist with pre-trial and trial preparations from an informed
 17 perspective, and otherwise appropriately manage the litigation.

18 **1. Good Cause Exists to Modify the Protective Order**

19 The degree of protection afforded confidential documents is a question committed
 20 to the "broad discretion o[f] the trial court." *Seattle Times Co., v. Rhinehart*, 467 U.S. 20, 36
 21 (1984). The court has inherent authority to modify a protective order where good cause is
 22 shown. *Phillips ex rel. Estates of Byrd v. General Motors Corp.*, 307 F.3d 1206, 1213 (9th Cir.

23
 24 ¹ At the appropriate time, Microsoft intends to move *in limine* to prevent Motorola from introducing evidence of
 25 its non-comparable license agreements. Success on that motion would alleviate much of Microsoft's present
 concerns since Culbert would no longer require access to such information.

² Protective Order dated July 21, 2011 (ECF No. 72).

2002)); *see also Halo Electronics, Inc. v. XFMRs, Inc.*, 2012 WL 2238022, *2 (N.D.Cal. 2012) (where party seeks to use confidential materials in separate litigation, modification to protective order “should generally be granted” where “reasonable restrictions on collateral disclosure will continue to protect an affected party’s legitimate interests in privacy”).

Good cause for modifying a protective order may be found where in-house counsel requires access to confidential information to evaluate settlement options and provide management and oversight of the litigation for the client:

Plaintiff contends that there is good cause to modify the protective order because disclosure of Defendant’s gross sales and net profits/losses to Plaintiff’s in-house counsel is necessary for evaluating potential settlement, by evaluating the wisdom of settlement against the potential recovery if this case proceeds to trial.

...

Plaintiff notes that there is good cause from a case management perspective as well. Plaintiff asserts that in-house counsel supervises the litigation of this action at Gerawan and reviews the party’s discovery responses.

...

The Court finds Plaintiff’s argument persuasive. As a general matter, courts have recognized that disclosure of sensitive financial information to an opponent’s in-house counsel may be necessary for evaluating settlement.

Gerawan Farming, Inc. v. Prima Bella Produce, Inc., 2011 WL 2516224, *2 (E.D.Cal. 2011) (citing cases).³

Motorola has not shown that the accelerated pre-trial access to evidence requested for Culbert (and his counterpart at Motorola) creates any undue prejudice as a function of his in-house status. Access to confidential material should not turn merely on the distinction between in-house and outside counsel. *U.S. Steel Corp. v. U.S.*, 730 F.2d 1465, 1468 (Fed.Cir. 1984) (“the factual circumstances surrounding each individual counsel’s activities, association, and relationship with a party, whether counsel be in-house or retained, must govern any concern for inadvertent or accidental disclosure.”). If a party’s legal department is small and/or the in-

³ The *Gerawan* case is attached hereto as Exhibit A.

1 house counsel's role is integrally related to the party's business and competitive operations,
 2 limitations on in-house counsel's access are more likely to be warranted. *See, e.g., CytoSport,*
 3 *Inc. v. Vital Pharmaceuticals, Inc.*, 2010 WL 1904840 (E.D.Cal. 2010).

4 Where, as here, in-house counsel is not directly involved in product design, pricing,
 5 marketing, or sales, competitive concerns are diminished and greater in-house access to
 6 confidential information may be appropriate:

7 Here, the record does not show that Gerawan's in-house counsel is engaged in
 8 any "competitive decision-making." To be sure, Gerawan is not a large
 9 company equipped with a vast army of in-house counsel. However, Plaintiff
 10 explicitly asserts that its in-house counsel does not serve any executive or non-
 11 legal functions at Gerawan. More importantly, Plaintiff asserts that in-house
 counsel does not provide advice to Gerawan on pricing or product design; is not
 involved in product development, marketing, or sales; does not have an
 ownership interest in Gerawan; and is not related to a principal of Gerawan.

12 *Gerawan*, 2011 WL 2516224, *4 (citations omitted). *See also Carpenter Technology Corp. v.*
 13 *Armco, Inc.*, 132 F.R.D. 24, 27-28 (E.D.Pa. 1990) (allowing one in-house counsel without
 14 competitive decision-making responsibilities access to defendant's confidential information).

15 Here, Microsoft is requesting that Culbert and Microsoft's outside counsel have equal
 16 pre-trial access to the evidence.⁴ As with the in-house counsel in *Gerawan* (and *Carpenter*),
 17 Culbert does not serve any executive or non-legal functions at Microsoft relating to product
 18 design, development, pricing, marketing or sales.⁵ Additionally, as the Court is aware,
 19 Microsoft is a large company with tens of thousands of employees and hundreds of in-house
 20 counsel. In this environment, disclosure of Motorola's licensing agreements and related
 21 materials to in-house counsel like Culbert – whose responsibilities relate primarily to oversight
 22 of numerous ongoing patent litigation activities (which includes advising management in

23 ⁴ To be clear, Microsoft does not contend that Culbert requires access to Motorola's source code (governed by
 24 Paragraphs 21-26 of the Protective Order), but rather that he should have access to the "licensing or other
 25 commercially sensitive financial information" designated by Motorola as CONFIDENTIAL FINANCIAL
 INFORMATION – OUTSIDE ATTORNEYS' EYES ONLY under Paragraph 6 of the Protective Order.

⁵ By signing this submission – as the Court has required – Culbert attests to the accuracy of this representation.

1 connection with risk exposure and possible settlement opportunities) and provision of legal
 2 advice relating to IP policy implementation – does not create an undue risk of competitive
 3 harm. In any event, such a risk would be substantially mitigated by Culbert’s express
 4 commitment to adhere to the terms of the Protective Order, including existing restrictions on
 5 his use and disclosure of confidential information.

6 Additionally, Culbert is counsel of record, and has been required by the Court to sign
 7 all submissions to the Court. Under Rule 11(b), by signing submissions, counsel represent that
 8 they are not made for an improper purpose, are justified under the law, and are otherwise
 9 supported by the evidence. As Motorola notes, these representations are to be based on
 10 counsel’s knowledge and belief, “formed after an inquiry reasonable under the circumstances.”
 11 Microsoft asserts that it is “reasonable under the circumstances” to permit Mr. Culbert to have
 12 pre-trial access to Motorola’s evidence, in order to give meaning and weight to these Rule 11
 13 representations – as well as for the other reasons stated herein and in Microsoft’s opening brief.

14 **2. Motorola Misinterprets Paragraph 7 of the Protective Order.**

15 Under Paragraph 7 of the Protective Order, Culbert will have access to *all* confidential
 16 information that may be disclosed at trial or other in-Court proceedings. The expanded access
 17 Microsoft seeks is an incremental, but critical, modification to the Protective Order to ensure
 18 that Culbert has access to Motorola’s evidence *in advance of trial*. The requested advance
 19 access is necessary for Culbert to properly sponsor submissions to the Court, to evaluate
 20 potential settlement options, and to otherwise manage the litigation.

21 Paragraph 7 of the Protective Order permits the parties’ designated in-house counsel to
 22 attend all in-Court proceedings. Paragraph 7 does not state that in-house counsel may attend
 23 only *some* confidential proceedings; the parties stipulated that they “shall not be excluded from
 24 any confidential portion of the trial or other in-Court proceedings[.]” (Emphasis added)

1 The privilege of attending all confidential portions of court proceedings comes with
 2 obligations, including restrictions (set forth in Paragraph 6) on further use and disclosure of
 3 confidential information revealed in court:

4 *Subject to the restrictions in paragraph 6 above*, the two in-house counsel
 5 designated therein shall not be excluded from any confidential portion of the
 6 trial or other in-Court proceedings in this case. (Emphasis added)

7 Without any further explanation, Motorola claims that the “subject to” language in
 8 Paragraph 7 conflicts with, overrides, and negates the “shall not be excluded from any
 9 confidential portion” language that follows. Motorola interprets the “subject to” clause to
 10 mean that in-house counsel “*are excluded* from confidential portions of Court proceedings
 11 involving Confidential Financial Information designated “Outside Counsel Attorneys’ Eyes
 12 Only.” Mot. Opp. at 2 (emphasis in original). The parties could have drafted Paragraph 7 to
 13 exclude designated in-house counsel from certain proceedings. But they did not.

14 The limited effect of the “subject to” clause in Paragraph 7 requires examination of
 15 Paragraph 6. Paragraph 6: (1) identifies the in-house Counsel for each party to whom certain
 16 confidential information may be disclosed; (2) identifies certain confidential written materials
 17 that may be disclosed (*e.g.*, “responses to interrogatories, answers to requests for admission,
 18 submissions to court, expert reports ..., opinions and orders of the Court” – to the extent they
 19 do not reveal “outside attorneys’ eyes only” information); and (3) imposes the following
 20 restrictions on further disclosure and use of such confidential information:

- 21 (ii) not to reveal such Confidential Business Information to anyone other than
 22 another person designated in paragraph 3; and
- 23 (iii) to utilize such Confidential Business Information solely for purposes of this
 24 action.

25 Nothing in Paragraph 6 purports to exclude in-house Counsel from any in-Court
 proceedings. The most reasonable reading of the “subject to the restrictions in paragraph 6”

1 clause is that it simply extends the same restrictions on use and disclosure of confidential
 2 information disclosed *in documents* (governed by ¶ 6) to any confidential information
 3 disclosed *in court* (governed by ¶ 7). *I.e.*, in-house counsel's ability to use and disclose
 4 confidential information is similarly restricted whether that information was obtained pre-trial
 5 from written materials or via attendance at trial. Having signed Attachment A to the Protective
 6 Order, Microsoft's in-house counsel – including Culbert – are bound by these restrictions.

7 **3. Motorola Has Provided No Evidence of Third-Party Reliance**

8 Motorola has offered no evidence of any third-party who produced licensing documents
 9 in reliance on the terms of the Protective Order issued in this case on July 21, 2011. Instead, it
 10 has submitted correspondence between Motorola's counsel and two third parties relating to
 11 production of materials *in separate litigation* from April 2010 (before commencement of this
 12 lawsuit) and January 2011 (seven months prior to issuance of the Protective Order).

13 In July 2011, this Court could have entered a Protective Order consistent with the
 14 Amended Protective Order Microsoft is requesting – or some other version that provided in-
 15 house counsel with access to Motorola's confidential financial and licensing information.
 16 Prior to July 2011, no third party could have relied on a yet-to-be issued Order. Motorola has
 17 not identified any third-party licensee who produced licensing documents in reliance on the
 18 terms of the Protective Order. Moreover, Motorola's main evidence on which it and its experts
 19 intend to rely at the RAND trial is *based on its own licensing documents* – not materials that
 20 Motorola needed to gather from its partners.

21 Even if Motorola had identified any third party who had relied on the actual terms of
 22 the Protective Order entered in this case, those third parties would have (or should have)
 23 recognized that, under Paragraph 7, the substance of their confidential materials could be
 24 disclosed to Microsoft's in-house counsel at trial or any other in-Court proceeding. No third
 25 party has objected to such access in the 14 months since issuance of the Protective Order.

1 DATED this 13th day of September, 2012.

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CERTIFICATE OF SERVICE

I, Linda Bledsoe, swear under penalty of perjury under the laws of the State of Washington to the following:

1. I am over the age of 21 and not a party to this action.
2. On the 13th day of September, 2012, I caused the preceding document to be served on counsel of record in the following manner:

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8 DATED this 7th day of September, 2012.

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